



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

HB1784

Introduced 2/23/2007, by Rep. Roger L. Eddy

SYNOPSIS AS INTRODUCED:

105 ILCS 5/1A-8
105 ILCS 5/18-11

from Ch. 122, par. 1A-8
from Ch. 122, par. 18-11

Amends the School Code. Provides that a school district must not be certified by the State Board of Education to be in financial difficulty as a result of the failure of the Comptroller to disburse certain School Code reimbursements for receipt by the school district no later than June 30th of each year. Provides that if moneys are available in the Common School Fund for State aid payments, then, as soon as may be after the 10th and 20th days of each of the months of July (instead of August) through the following June (instead of July), the State Comptroller shall draw his or her warrants upon the State Treasurer. Effective July 1, 2007.

LRB095 05131 NHT 31273 b

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning education.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The School Code is amended by changing Sections
5 1A-8 and 18-11 as follows:

6 (105 ILCS 5/1A-8) (from Ch. 122, par. 1A-8)

7 Sec. 1A-8. Powers of the Board in Assisting Districts
8 Deemed in Financial Difficulties. To promote the financial
9 integrity of school districts, the State Board of Education
10 shall be provided the necessary powers to promote sound
11 financial management and continue operation of the public
12 schools.

13 The State Superintendent of Education may require a school
14 district, including any district subject to Article 34A of this
15 Code, to share financial information relevant to a proper
16 investigation of the district's financial condition and the
17 delivery of appropriate State financial, technical, and
18 consulting services to the district if the district (i) has
19 been designated, through the State Board of Education's School
20 District Financial Profile System, as on financial warning or
21 financial watch status, (ii) has failed to file an annual
22 financial report, annual budget, deficit reduction plan, or
23 other financial information as required by law, or (iii) has

1 been identified, through the district's annual audit or other
2 financial and management information, as in serious financial
3 difficulty in the current or next school year. In addition to
4 financial, technical, and consulting services provided by the
5 State Board of Education, at the request of a school district,
6 the State Superintendent may provide for an independent
7 financial consultant to assist the district review its
8 financial condition and options.

9 The State Board of Education, after proper investigation of
10 a district's financial condition, may certify that a district,
11 including any district subject to Article 34A, is in financial
12 difficulty when any of the following conditions occur:

13 (1) The district has issued school or teacher orders
14 for wages as permitted in Sections 8-16, 32-7.2 and 34-76
15 of this Code;

16 (2) The district has issued tax anticipation warrants
17 or tax anticipation notes in anticipation of a second
18 year's taxes when warrants or notes in anticipation of
19 current year taxes are still outstanding, as authorized by
20 Sections 17-16, 34-23, 34-59 and 34-63 of this Code, or has
21 issued short-term debt against 2 future revenue sources,
22 such as, but not limited to, tax anticipation warrants and
23 general State Aid certificates or tax anticipation
24 warrants and revenue anticipation notes;

25 (3) The district has for 2 consecutive years shown an
26 excess of expenditures and other financing uses over

1 revenues and other financing sources and beginning fund
2 balances on its annual financial report for the aggregate
3 totals of the Educational, Operations and Maintenance,
4 Transportation, and Working Cash Funds;

5 (4) The district refuses to provide financial
6 information or cooperate with the State Superintendent in
7 an investigation of the district's financial condition.

8 No school district shall be certified by the State Board of
9 Education to be in financial difficulty by reason of any of the
10 above circumstances (i) arising as a result of the failure of
11 the county to make any distribution of property tax money due
12 the district at the time such distribution is due; (ii) arising
13 as a result of the failure of the Comptroller to disburse
14 reimbursements authorized under Sections 14-3.01b, 14-7.03,
15 14-7.02, 14-7.02a, 14-13.01, 18-3, 18-11, 18-4.3, and 29-5 for
16 receipt by the school district no later than June 30th of each
17 year; or (iii) if the district clearly demonstrates to the
18 satisfaction of the State Board of Education at the time of its
19 determination that such condition no longer exists. If the
20 State Board of Education certifies that a district in a city
21 with 500,000 inhabitants or more is in financial difficulty,
22 the State Board shall so notify the Governor and the Mayor of
23 the city in which the district is located. The State Board of
24 Education may require school districts certified in financial
25 difficulty, except those districts subject to Article 34A, to
26 develop, adopt and submit a financial plan within 45 days after

1 certification of financial difficulty. The financial plan
2 shall be developed according to guidelines presented to the
3 district by the State Board of Education within 14 days of
4 certification. Such guidelines shall address the specific
5 nature of each district's financial difficulties. Any proposed
6 budget of the district shall be consistent with the financial
7 plan submitted to and approved by the State Board of Education.

8 A district certified to be in financial difficulty, other
9 than a district subject to Article 34A, shall report to the
10 State Board of Education at such times and in such manner as
11 the State Board may direct, concerning the district's
12 compliance with each financial plan. The State Board may review
13 the district's operations, obtain budgetary data and financial
14 statements, require the district to produce reports, and have
15 access to any other information in the possession of the
16 district that it deems relevant. The State Board may issue
17 recommendations or directives within its powers to the district
18 to assist in compliance with the financial plan. The district
19 shall produce such budgetary data, financial statements,
20 reports and other information and comply with such directives.
21 If the State Board of Education determines that a district has
22 failed to comply with its financial plan, the State Board of
23 Education may rescind approval of the plan and appoint a
24 Financial Oversight Panel for the district as provided in
25 Section 1B-4. This action shall be taken only after the
26 district has been given notice and an opportunity to appear

1 before the State Board of Education to discuss its failure to
2 comply with its financial plan.

3 No bonds, notes, teachers orders, tax anticipation
4 warrants or other evidences of indebtedness shall be issued or
5 sold by a school district or be legally binding upon or
6 enforceable against a local board of education of a district
7 certified to be in financial difficulty unless and until the
8 financial plan required under this Section has been approved by
9 the State Board of Education.

10 Any financial watch list distributed by the State Board of
11 Education pursuant to this Section shall designate those school
12 districts on the watch list that would not otherwise be on the
13 watch list were it not for the inability or refusal of the
14 State of Illinois to make timely disbursements of any payments
15 due school districts or to fully reimburse school districts for
16 mandated categorical programs pursuant to reimbursement
17 formulas provided in this School Code.

18 (Source: P.A. 94-234, eff. 7-1-06.)

19 (105 ILCS 5/18-11) (from Ch. 122, par. 18-11)

20 Sec. 18-11. Payment of claims.

21 (a) Except as provided in subsection (b) of this Section,
22 and except as provided in subsection (c) of this Section with
23 respect to payments made under Sections 18-8 through 18-10 for
24 fiscal year 1994 only, as soon as may be after the 10th and
25 20th days of each of the months of July ~~August~~ through the

1 following June ~~July~~ if moneys are available in the common
2 school fund in the State treasury for payments under Sections
3 18-8 through 18-10 the State Comptroller shall draw his
4 warrants upon the State Treasurer as directed by the State
5 Board of Education pursuant to Section 2-3.17b and in
6 accordance with the transfers from the General Revenue Fund to
7 the Common School Fund as specified in Section 8a of the State
8 Finance Act.

9 Each such semimonthly warrant shall be in an amount equal
10 to 1/24 of the total amount to be distributed to school
11 districts for the fiscal year. The amount of payments made in
12 June ~~July~~ of each year shall be considered as payments for
13 claims covering the school year that commenced during the
14 immediately preceding calendar year. If the payments provided
15 for under Sections 18-8 through 18-10 have been assigned as
16 security for State aid anticipation certificates pursuant to
17 Section 18-18, the State Board of Education shall pay the
18 appropriate amount of the payment, as specified in the
19 notification required by Section 18-18, directly to the
20 assignee.

21 (b) As soon as may be after the 10th and 20th days of each
22 of the months of June, 1982 through July, 1983, if moneys are
23 available in the Common School Fund in the State treasury for
24 payments under Sections 18-8 through 18-10, the State
25 Comptroller shall draw his warrants upon the State Treasurer
26 proportionate for the various counties payable to the regional

1 superintendent of schools in accordance with the transfers from
2 the General Revenue Fund to the Common School Fund as specified
3 in Section 8a of the State Finance Act.

4 Each such semimonthly warrant for the months of June and
5 July, 1982 shall be in an amount equal to 1/24 of the total
6 amount to be distributed to school districts by the regional
7 superintendent for school year 1981-1982.

8 Each such semimonthly warrant for the months of August,
9 1982 through July, 1983 shall be in an amount equal to 1/24 of
10 the total amount to be distributed to school districts by the
11 regional superintendent for school year 1982-1983.

12 The State Superintendent of Education shall, from monies
13 appropriated for such purpose, compensate districts for
14 interest lost arising from the change in payments in June, 1982
15 to payments in the months of June and July, 1982, for claims
16 arising from school year 1981-1982. The amount appropriated for
17 such purpose shall be based upon the Prime Commercial Rate in
18 effect May 15, 1982. The amount of such compensation shall be
19 equal to the ratio of the district's net State aid entitlement
20 for school year 1981-1982 divided by the total net State aid
21 entitlement times the funds appropriated for such purpose.
22 Payment in full of the amount of compensation derived from the
23 computation required in the preceding sentence shall be made as
24 soon as may be after July 1, 1982 upon warrants payable to the
25 several regional superintendents of schools.

26 The State Superintendent of Education shall, from monies

1 appropriated for such purpose, compensate districts for
2 interest lost arising from the change in payments in June, 1983
3 to payments in the months of June and July, 1983, for claims
4 arising from school year 1982-1983. The amount appropriated for
5 such purpose shall be based upon an interest rate of no less
6 than 15 per cent or the Prime Commercial Rate in effect May 15,
7 1983, whichever is greater. The amount of such compensation
8 shall be equal to the ratio of the district's net State aid
9 entitlement for school year 1982-1983 divided by the total net
10 State aid entitlement times the funds appropriated for such
11 purpose. Payment in full of the amount of compensation derived
12 from the computation required in the preceding sentence shall
13 be made as soon as may be after July 1, 1983 upon warrants
14 payable to the several regional superintendents of schools.

15 The State Superintendent of Education shall, from monies
16 appropriated for such purpose, compensate districts for
17 interest lost arising from the change in payments in June, 1992
18 and each year thereafter to payments in the months of June and
19 July, 1992 and each year thereafter. The amount appropriated
20 for such purpose shall be based upon the Prime Commercial Rate
21 in effect June 15, 1992 and June 15 annually thereafter. The
22 amount of such compensation shall be equal to the ratio of the
23 district's net State aid entitlement divided by the total net
24 State aid entitlement times the amount of funds appropriated
25 for such purpose. Payment of the compensation shall be made as
26 soon as may be after July 1 upon warrants payable to the

1 several regional superintendents of schools.

2 The regional superintendents shall make payments to their
3 respective school districts as soon as may be after receipt of
4 the warrants unless the payments have been assigned as security
5 for State aid anticipation certificates pursuant to Section
6 18-18. If such an assignment has been made, the regional
7 superintendent shall, as soon as may be after receipt of the
8 warrants, pay the appropriate amount of the payment as
9 specified in the notification required by Section 18-18,
10 directly to the assignee.

11 As used in this Section, "Prime Commercial Rate" means such
12 prime rate as from time to time is publicly announced by the
13 largest commercial banking institution in this State, measured
14 in terms of total assets.

15 (c) With respect to all school districts but for fiscal
16 year 1994 only, as soon as may be after the 10th and 20th days
17 of August, 1993 and as soon as may be after the 10th and 20th
18 days of each of the months of October, 1993 through July, 1994
19 if moneys are available in the Common School Fund in the State
20 treasury for payments under Sections 18-8 through 18-10, the
21 State Comptroller shall draw his warrants upon the State
22 Treasurer as directed by the State Board of Education in
23 accordance with transfers from the General Revenue Fund to the
24 Common School Fund as specified in Section 8a of the State
25 Finance Act. The warrant for the 10th day of August, 1993 and
26 each semimonthly warrant for the months of October, 1993

1 through July, 1994 shall be in an amount equal to 1/24 of the
2 total amount to be distributed to that school district for
3 fiscal year 1994, and the warrant for the 20th day of August,
4 1993 shall be in an amount equal to 3/24 of that total. The
5 amount of payments made in July of 1994 shall be considered as
6 payments for claims covering the school year that commenced
7 during the immediately preceding calendar year.

8 (Source: P.A. 87-14; 87-887; 87-895; 88-45; 88-89; 88-641, eff.
9 9-9-94.)

10 Section 99. Effective date. This Act takes effect July 1,
11 2007.